

JAN 21 1998

Before the
FEDERAL COMMUNICATIONS COMMISSION FEDERAL COMMUNICATIONS COMMISSION
 Washington, D.C. 20054 OFFICE OF THE SECRETARY

In the Matter of)
)
 1997 Annual Access Tariff Filings) CC Docket 97-149
 CCB/CPD 98-1

COMMENTS OF SPRINT CORPORATION

On December 1, 1997, the Commission issued its Memorandum Opinion and Order in the 1997 Annual Access Tariff Filings docket. On December 31, 1997, the Bell Atlantic Telephone Companies and the SBC Companies filed separate Petitions for Reconsideration of certain portions of the Commission's order. Pursuant to the Public Notice issued January 6, 1998, Sprint Corporation ("Sprint") respectfully offers the following comments on the petitions.

Bell Atlantic

Bell Atlantic calls into question the Commission's decision to require it and other LECs (including the Sprint LECs), to employ a different forecasting methodology than they had used in the past to allocate common line costs between long distance carriers and end users. Sprint does not challenge the Commission's conclusion on this point. However, because the Commission did not question the reasonableness of total common line costs, Sprint agrees with Bell Atlantic that any Commission requirement causing LECs to refund overcharges must, correspondingly, be accompanied by a mechanism which allows recovery of undercharges. To do otherwise would penalize the LEC for failing to use a methodology that did not even exist at the time the monies

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in question were being collected and would prevent them from recovering legitimately incurred costs.¹

While agreeing with Bell Atlantic that the LECs must be permitted to recover common line costs refunded to IXC's, Sprint does not support the notion of back billing end users to do so. Not only would back billing be administratively burdensome, but, more importantly, it would cause confusion among a customer base already impacted by the recent access reform rate changes. Sprint suggests that this amount be recovered starting July 1, 1998 through an exogenous adjustment targeted specifically to the multi-line business customer Subscriber Line Charge (SLC). (Sprint expects that, for the Sprint LECs, the result of this adjustment would be approximately \$.16 per end user, per line, per month but would vary by state.) Multi-line business customers is the customer class that, under the Memorandum Opinion and Order, was undercharged from July 1, 1997 to December 31, 1997. To the extent that the \$9 multi-line SLC cap does not allow for a full recovery in the 1998 annual filing, the LEC should be entitled to carry forward this amount each year until all dollars are recovered. In either case, once the dollars are recovered, the exogenous change would be removed from the SLC.

The Commission should, therefore, grant that portion of Bell Atlantic's petition which would grant the LECs impacted by the implementation of the standard forecasting methodology the opportunity for full recovery of their legitimate common

¹ The Commission has recognized that it is appropriate to offset refunds by providing to the LECs a mechanism to recover undercharges. See, In the Matter of Tariffs Implementing Access Charge Reform, CC Docket No. 97-250, Memorandum Opinion and Order released December 30, 1997, where, at Paragraph 7, the Commission notes that "Under these unusual circumstances, however, in which the Commission has ordered a massive restructuring of many interrelated rates, it may not be possible to achieve a fair balance of ratepayer and shareholder interests without also allowing LECs some measure of recoupment, where appropriate." Moreover, at Paragraph 8, the Commission goes on to state that "It is also possible that, in cases in which the same customer has paid charges there were found to be too high and charges that were found to be too low, refunds could be offset by amounts allowed for recoupment."

line costs. The Commission should, however, reject Bell Atlantic's proposal to apply the Commission's methodology for estimating BFP revenue requirement on a prospective basis only. As the Commission's analysis has shown, the BFP forecasts of several LECs, including Bell Atlantic, have been less than the actual BFP amounts almost every year since the inception of LEC price cap regulation.² Revision of the LECs' BFP forecasts for the 1997 tariff year, as prescribed by the Commission, is likely to result in a forecast which will prove to be closer to actual results than would result from continued use of the LECs' own forecasting methodologies. Delaying the prescribed adjustment in BFP forecasts until the 1998 tariff year would simply prolong the unreasonable allocation of common line costs to IXC's and force IXC's to bear an excessive share of such costs for another year with no corresponding benefit. If LECs are made whole for their overall common line costs (*e.g.*, by implementing an exogenous adjustment to the MLB SLC as recommended above), application of the Commission's prescribed BFP adjustments to 1997 BFP will not harm the LEC.

SBC

SBC has challenged that portion of the Commission's order which requires the use of an "R" adjustment for the removal of amortized equal access expenses from the price cap index. SBC's supports its argument not by questioning the propriety of the Commission's decision, but rather by attacking the procedural route by which the Commission arrived at that decision. Making the charge that the Commission has no authority to direct the use of an "R" adjustment in this context without first conducting a rulemaking proceeding, SBC comes to the rather tortured legal conclusion that, because the Commission had not discussed use of the "R" factor when

² This is true whether as a result of systematic bias or random error.

addressing other amortization adjustment issues, a precedent for not ordering its use has been established. Based on this kind of thinking, a decision-maker could never move beyond its initial decision in any matter - conclusions not reached the first time would, going forward, be off limits. Such thinking turns precedent into the proverbial albatross for the decision-maker who would be forever bound by past determinations - or, as in this case, the failure to make a decision.

Sprint supports the commission's application of an "R" value adjustment for the removal of equal access amortization and, therefore, urges it to dismiss SBC's petition. When the Commission requires the removal of an historic revenue requirement from a current revenue stream, that revenue requirement should be adjusted to reflect the additional revenue generated by that revenue requirement over that period of time within the price cap mechanism. By requiring the LEC to use the "R" adjustment, the LEC reflects the changes caused by the price cap formula adjustments, exogenous changes and productivity gains while removing the appropriate amount from the revenue stream.

Contrary to SBC's claims, the Commission has, in fact, authorized similar types of adjustments in the past, including adjusting the prior year's sharing reversal. The prior year's sharing was adjusted for the change in the "R" from year to year. In addition, the historic tandem revenue requirement removed from the TIC was adjusted from 1992 levels to current levels. This type of adjustment was spelled out in paragraph 197 of the *Access Reform Order*³ in defining the extant portion of the reallocated tandem switching costs. Again, the amount was adjusted for "R" changes.

³ *In the Matter of Access Charge Reform*, First Report and Order, CC Docket No. 96-262, released May 16, 1997.

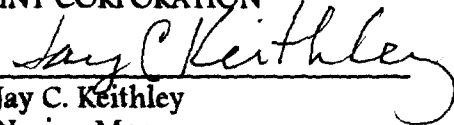
Sprint Corporation
January 21, 1998

The Commission was legally and procedurally on solid ground regarding its decision to apply the "R" adjustment in the instant situation. It should, therefore, dismiss SBC's petition without further discussion.

Respectfully submitted,

SPRINT CORPORATION

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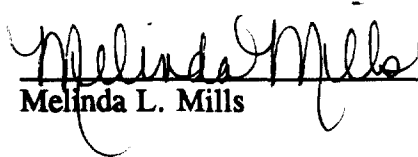
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January 21, 1998

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 21st day of January 1998, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of the Sprint Corporation" in the Matter of 1997 Annual Access Tariff Filings, CC Docket No. 97-149, filed this date with the Secretary, Federal Communications Commission, to the persons on the attached service list.



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